



**KPMG LLP**  
Suite 1900  
440 Monticello Avenue  
Norfolk, VA 23510

The Members of the Board of Trustees  
Employees' Retirement System of the City of Norfolk  
Norfolk, Virginia

Ladies and Gentlemen:

We have audited the financial statements of the Employees' Retirement System of the City of Norfolk (the System) as of June 30, 2015 and for each of the years then ended, and issued our report thereon under date of December 17, 2015. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

### **Our Responsibility under Professional Standards**

We are responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by management with the oversight of the Board of Trustees, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements taken as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Board of Trustees of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Systems's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control. However, during the course of our audit, we identified a deficiency in internal control that we consider to be significant deficiency. Our required communications to you in writing, under professional standards, of this significant deficiency in internal control identified during our audit were provided to you under separate cover.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Board of Trustees in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.



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### **Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the Company's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in the System's Comprehensive Annual Financial Report for the year ended June 30, 2015, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

### **Accounting Practices and Alternative Treatments**

#### *Significant Accounting Policies*

The significant accounting policies used by the Company are described in note 1 to the financial statements. In addition to the significant accounting policies noted at note 1 to the financial statements, Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* is relevant to plan sponsors and requires the sponsor to record the actuarially determined net position obligation to be recorded; therefore, the City of Norfolk CAFR will be relying on the information generated from the ERS audit.

#### *Unusual Transactions*

During fiscal year 2015, there were no transactions that were both significant and unusual or transactions for which there is a lack of authoritative guidance or consensus.

#### *Qualitative Aspects of Accounting Practices*

We have discussed with the Board of Trustees and management our judgments about the quality, not just the acceptability, of the System's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the System's accounting policies and their application, and the understandability and completeness of the System's financial statements, which include related disclosures.

### **Management Judgments and Accounting Estimates**

The preparation of the financial statements requires management of the System to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the period.

We evaluated management's analysis of the System's actuarial accrued liability, which are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change, including possible management bias in



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developing the estimate, and determined that they were reasonable in relation to the System's financial statement taken as a whole.

We also evaluated management's determination of the fair value of certain investments, including nonexchange-traded investment and other investment without readily determinable market values, and determined that the valuation of the investments was reasonable in relation to the System's financial statements taken as a whole.

#### **Uncorrected and Corrected Misstatements**

In connection with our audit of the System's financial statements, we noted management has historically excluded the certain investments (futures) from the investments included on the financial statements. We evaluated management's exclusion of the balance and determined that the amount excluded was immaterial to the financial statements taken as a whole. There were no corrected misstatements in the System's books and records as of and for the year then ended June 30, 2015.

#### **Disagreements with Management**

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' report on the System's financial statements.

#### **Management's Consultation with Other Accountants**

To the best of our knowledge, management has not consulted with, or obtained opinions, either written or oral, from other independent accountants during the year ended June 30, 2015.

#### **Significant Issues Discussed, or Subject to Correspondence, with Management**

##### *Major Issues Discussed with Management prior to Retention*

We generally discuss a variety of matters with the Board of Trustees and management each year prior to our retention by the Board of Trustees as the System's auditors. These discussions occurred in the normal course of our professional relationship and the result of these discussions was not a condition of our retention.

##### *Material Written Communications*

Attached to this letter please find a copy of the management representation letter, which is a material written communication between management and us.

#### **Significant Difficulties Encountered during the Audit**

There were no significant difficulties encountered during the audit.



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**Other Significant Findings or Issues**

There were no significant findings or issues encountered during the audit.

*Confirmation of Audit Independence*

We hereby confirm that as of December 17, 2015, we are independent accountants with respect to the Company under relevant professional and regulatory standards.

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This letter to the Board of Trustees is intended solely for the information and use of the Board of Trustees and management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**

Norfolk, Virginia  
December 17, 2015